RAJYA SABHA

Thursday the 10th August, 1989/19th Sravana, 1911 (Saka).

The House met at eleven of the clock, Mr. Chairman in the chair.

ORAL ANSWERS TO QUESTIONS

Seizure of gold near Bombay

*341. SHRI MUKHTIAR SINGH MALIK: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the news-item which appeared in the Hindustan Times of the 13th July, 1989, to the effect that the Officers of the Bombay Zonal Unit of the Directorate of Revenue Intelligence seized 2200 foreign marked gold biscuits of 10 tolas each from a truck at Panvel, near Bombay on the 12th July, 1989;

(b) if so, what are the details thereof;

(c) whether any arrests have been made in this connection; and

(d) what action has been taken by Government so far in the matter?

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI AJIT PANJA): (a) to (d) A statement is laid on the table of the House.

Statement

(a) and (b) Yes, Sir. The Officers of the Bombay Zonal Unit of the Directorate of Revenue Intelligence seized 2150 Foreign marked gold biscuits of 10 tolas each worth Rs. 7.53 crores approximately on 12-7-1989 from a truck at Panvel near Bombay. Indian currency of Rs. 1 lakh along with a truck and a car worth Rs. 2 lakhs approximately have also been seized.

(c) and (d) 4 persons namely S|Shri Khaja Ahmed Hussein, Javed Sheikh alias Usman Hippy alias Sardar, Dattatraya Babaji Golatkar and Sharif Khan Sikandar Khan have been arrested in this case.

SHRI MUKHTIAR SINGH MALIK: Mr. Chairman, Sir, everybody knows that smuggling of gold in the country is on a very large scale, especially in view o the fact that the prices of gold in the country are very high. Gold is pouring into India from all sides. Smuggling is a socal evil but it has become a very lucrative business for smugglers because they turn multimillionaires overnight. However, the Minister has said in his answer that four persons have been arrested durng this seizure which took place at Panvel, near Bombay. I would like to ask the hon. Minister under what provisions of law they have been arrested. Are they foreigners or are they of Indian origin? What has their interrogation revealed, and whether they have established any links in India in case they are foreigners.

SHRI AJIT PANJA: So far as the first part of the question is concened, one of the very seasoned smugglers who has been evading arrest since 1974. could be arrested on 27th July 1989. His name is Usman Hippy and he is also known as Javed Sheikh. Other three persons were also arrested and under the ordinary law they have been prosecuted. Detention under COFEPOSA is being considered. Usman Hippy is under detention under detention under COFEPOSA. Interrogation and investigation are going on. At present, in the interest of security and also for a full and effectual completion of the investigation, it is advisable not to disclose details of the investigation.

SHRI JAGESH DESAI: What about the identity?

SHRI AJIT PANJA: So far as identity is concerned, they are all known to be Indian citizens.

SHRI MUKHTIAR SINGH MALIK: Seizure of gold is only 8 or 10 per cent of the smuggled goods. Everybody

knows that smuggling takes place on a very [illegible] scale in India. I would like to know [illegible] amount of gold smuggled and as I said, seizure is only 8 or 10 per cent. Where does the rest of the smuggled gold go? It is being hoarded. Everybody knows that it is being hoarded by big business and industrial houses. Has the Government ever carried out any survey in this regard? I would also like to know whether the Government has thought of any plans to bring down the price of gold in the country.

SHRI AJIT PANJA: So far as the first part of the question is concerned, gold smuggling [illegible] being a clandestine activity, it has not been possible to get a reasonable [illegible] of the actual quantity of gold being smuggled. [illegible] ed [illegible] 10 [illegible] 21 [illegible] 21st July [illegible] we [illegible] already seized gold worth Rs. 177.27 crores.

In regard to the plans for survey [illegible] we know where it [illegible]. If we know where it [illegible] we could get hold of it. But there is no question of survey. We do make searches and seizures where we get the information. That is why we have succeeded. According to the directions given by the hon. Finance Minister, there should be a close-knit intelligence network by which where we strike, we must get gold. That is why the intelligence system has been augmented and we have got informers in various parts. I do not want to disclose, for obvious reasons. We have got informers in various parts.

MR. CHAIRMAN: Wherever you strike, you get gold?

SHRI AJIT PANJA: It should be gold.

SHRI MUKHTIAR SINGH MALIK: What about the second part of my question?

SHRI AJIT PANJA: I have said that there is no plan as such. But the Government has appointed two committees to find out the details of action that could be taken.

MR. CHAIRMAN: He has asked about the price of gold.

SHRI AJIT PANJA: The price is going up.

MR. CHAIRMAN: He wants to know whether you have any plans to bring the price down.

SHRI AJIT PANJA: That is what I am saying. Two committees were appointed to look into the policy relating to gold. One was the J. Dutta Committee and the other was the Rangarajan Committee. They have made various recommendations [illegible] have been sent to a group of Ministers for the purpose of [illegible] study. The group of Ministers has made its recommendations and soon the House will come to know.

THE MINISTER OF FINANCE (SHRI S. B. CHAVAN): Mr. Chairman, Sir, I would like to supplement what my colleague has said. It is that, we propose to have control over only the primary gold and the rest of the transaction we propose to open. This, we believe, would bring down the price to a certain extent.

SHRI KRISHNA KUMAR BIRLA: Sir, the international price of gold is about 370 dollars per ounce. If you convert this into rupees in terms of ten grams, it comes to about Rs. 2,000 per ten grams. The domestic price is ranging around Rs. 3,000—Rs. 3,100. It is this big difference which is really leading to smuggling. With due respect to the hon. Finance Minister, I would like to point out that the quantity of gold which is really being smuggled into India—according to experts in this field—comes to something like 100 tonnes per year and this is equal to Rs. 2,000 crores being smuggled out of the country in the form of foreign exchange by clandestine methods.

SHRI AJIT PANJA: So far as first part of his question is concerned, there is no figure available on which I can have reliance and disclose to this House, but there is a rough estimate—although not with good reasons—of 100 to 150 tonnes per year. We asked for reasons, the reasons were not quite cogent, but this is a report which has been given.

About the gangs, we are keeping a close watch on all the gangs which are operating, which are known and their activities are known, but as it is a clandestine activity and connected with various foreign agents. All the gangs are not known but we are keeping watch on the known gangs. That is why we have succeeded.

Then, Sir, I do not want to get credit out of it. It is the credit for my officers who are working in the field and that is the credit for the entire Revenue Department.

SHRI P. N. SUKUL: Mr. Chairman, Sir, in reply to the question of Shri Vishvjit Singh the Minister said that the smuggled gold is deposited with the Reserve Bank of India. I presume that the value of that gold the Reserve Bank must be crediting to the Consolidated Fund of India. I would like to know from the hon. Minister what is this value that is credited to the Consolidated Fund of India? Is this valued at the market price of gold or at some other price?

SHRI AJIT PANJA: It used to be credited to the Consolidated Fund and is still being credited. But as I said in my earlier answer, recently the Finance Minister has decided that as the Revenue Department is taking this action, it should be notionally also credited to the Revenue Department, but the actual gold will be deposited with the Government of India Mint, whis is consequently taken over by the Reserve Bank of India.

As regards the other part of the question, the value is determined according to the market price at the time of seizure.

SHRI JAGESH DESAI: At the Indian market price or international market price?

SHRI AJIT PANJA: The Indian market price.

SHRI JASWANT SINGH: The hon. Minister has given two sets of figures to indicate progress in detection of gold. He has given a figure for the year 1984 and another as of July 1989. I would therefore like to know, firstly at what price has he arrived at the 1984 figure and at what price of gold has he arrived at the figure of July 1989 in value terms? What was the price in 1984, how much has the price increased between 1984 and 1989 and how much is the volume of increase after adjustment of price increase?

SHRI AJIT PANJA: The value is determined, as I said, at the time when gold is seized according to the market price. But the thrust of the question is to know whether there is actual increase. Therefore, the quantity in kilograms in 1984 was 524, in 1985 it was 2525 kg, in 1986 2174 kg, in 1987 2255 kg, in 1988 6094 kg and in 1989 upto 31st July, 5597 kg.

SHRI DIPEN GHOSH: This means that smuggling activities are on the increase.

SHRI A. G. KULKARNI: Sir, if I have understood the hon. Minister correctly, he has stated that there is a consideration being given by the Government—which is a step in the right directon—that if particularly the gold ornaments and the gold in the retail market and not what you all the primary gold are taken out of the purview of the Gold Control Act, or whatever it is, then this will bring down the price, as per the experience in the market. I would like to know whether this is true.

Secondly, a suggestion is also being made in various fora that if gold is permitted to be imported by goldsmiths in various centres, they can export it and a better value added product will be produced and money brought into this country. Is there any proposal to that effect?

What is really necessary to bring down the price of gold, as very rightly said by the hon. Finance Minister, is,—apart from the proposal indicated by the hon. Finance Minister—we should permit the NRIs—this suggestion has been in the minds of some of the people here—to bring gold into the country either by way of import or their sending it here. The suggestion is that the NRIs, should be permitted to send gold here, that no tax should be levied on that but that it will be subject to the condition that the money from whatever they sell here will have to remain in the country, will have to be invested in the country and cannot be taken out. I would like to know from the hon. Finance Minister his views so far as this suggestion is concerned.

SHRI AJIT PANJA: This is a concept for [illegible] to bring gold at the [illegible] of the [illegible] Budget. The proposal to reduce the import duties on the [illegible] gold, value of gold jewellery that could be brought in to India free of duty under the Transfer of Residents rules. The question whether the NRIs could also bring it is under consideration.

SHRI VISHVJIT P. SINGH: Sir, I would like to know what the Government policy is on the gold which is seized, where it goes and to which accounts it goes. Secondly, although it is not related to the present question, I would like to know what happens to the drugs that are seized, the money that you get from the opium you get.

MR. CHAIRMAN: This question is about gold.

SHRI VISHVJIT P. SINGH: But, Sir, the system is the same because the smugglers, they are all connected. They smuggle along with gold drugs and arms also. I would like to know what happens to this gold, where it goes and in which account the money is put.

SHRI AJIT PANJA: The seized gold is deposited with the Government of India Mint. Previously, the account was in the General Fund, but now recently the Finance Minister has decided that it should be credited to the Department of Revenue, notionally.

So far as drugs are concerned, although the question is not relevant here, I would like to inform that the seized drugs are destroyed except opium which is required for medicinal purposes.

SHRI DIPEN GHOSH: What about arms? Where do they find the place? Do they go to Punjab or somewhere else?

SHRI YASHWANT SINHA: The Minister has just mentioned that up to 31st July, 1989 the agencies of the Government had seized gold valued at Rs. 166 crores this year and thus the total seizure in 1988 was valued at Rs. 207 crores only. In that way, the Minister could like to take the credit for the fact that in 7 months this year they have done a better job than they had done in the whole of the last year.

MR. CHAIRMAN: There is improvement this year.

SHRI YASHWANT SINHA: This is not a tax structure where he can take the credit of collecting more. Here the smuggled gold is [illegible] and the value of gold seized has gone up. It is a very sad reflection on the Government, this is my view. The question which I would like to ask the Minister is whether they have made an assessment of the total quantity and value of gold which is smuggled annually into this country and how this figure of seizure compare with the total problem of smuggling. This is part (a) of my question.

Part (b) of my question is, with all the agencies at the command of the Government, surely they must be aware of the number of gangs which are operating in the country in the field of smuggling gold. With the arrests that have been made in this case and in other cases you must have assessed how close they are? Are you arresting or taking action against all the gangs so that we at least substantially got rid of the problem?

SHRI AJIT PANJA: Yes, Sir, both the points have been covered by the Finance Minister in his Budget Speech. I will read out the relevant portion:

"The Government has been examining the utility of the Gold Control Act to see whether it has served its purpose or not and whether it requires any modification. In the light of this examination the Government proposes to modify the Gold Control Act with a view to keeping a measure of control over primary gold only. This is expected to benefit hundreds of thousands of goldsmiths and artisans who will be able to freely conduct their age-old traditional profession and provide better service to the customtrs in terms of quality, purity and price. Further this will lead to boost in the export of gold jewellery"—the point mentioned by the hon. Member—"which has been stagnant.'

The details are being worked out as I have already stated.

MR. CHAIRMAN: He wanted to know whether there is any proposal to permit import of primary gold for the purpose of export of the finished product.

SHRI AJIT PANJA: Various recommendations have been made. Already the FM has answered. This is one of the suggestions made by these two Committees. It has gone to the group of Ministers. They have made the recommendation.

PEPSICO proposal under Export Oriented Unit Scheme

*342. SHRI DIPEN GHOSH:†

SHRI CHIMANBHAI MEHTA:

Will the Minister of COMMERCE be pleased to state:

(a) what is the progress relating to the 100 per cent Export Oriented Unit proposal of Pepsico which is pending consideration by the Special Board for approval;

(b) whether all the profits are proposed to be repatriated and what will be the foreign exchange gain; and

(c) whether proprietory ingredients are proposed to be imported and whether domestic sales will be allowed?

THE MINISTER OF COMMERCE (SHRI DINESH SINGH): (a) to (c) A Statement is laid on the Table of the House.

Statement

Pepsico India Holdings Inc. had submitted an application dated February 10, 1989 for establishing a 100 per cent Export Oriented Unit for the production of proprietary compound preparations to be used in the manufacture of non-alcoholic beverages. The company had indicated repatriation of all dividends of Rs. 13.39 crores and a net foreign exchange inflow of about Rs. 12.00 crores over five years. Import of raw materials consisted of blends and emulsions of essentials oils for a value of about Rs. 5.68 crores. The company sought the facility of sale of 25 per cent of the production in the Domestic Tariff Area.

The company has, subsequently, furnished revised calculations on 2nd August, 1989 restricting the repatriation of profits to Rs. 6.02 crores and indicating that the net foreign exchage inflow would be about Rs. 26.48 crores.

The matter is under consideration.

SHRI DIPEN GHOSH: Sir, I have gone through the reply. Before I put my exact supplementary, I would like to point out that when Pepsico was allowed to enter our country for the manufacture of horticultural products, this particular US-based multinational was allowed to enter our country to develop the horitcultural industry. On the floor of this House, the Minister of Food Procesing Industries had clearly stated that Pepsico has been allowed to develop the

†The question was actually asked on the floor of the House by Shri Dipen Ghosh.